

立法會

Legislative Council

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Report of the Panel on Commerce and Industry for submission to the Legislative Council

Purpose

This report gives an account of the work of the Panel on Commerce and Industry during the 2003-04 session of the Legislative Council. It will be tabled at the Council meeting on 7 July 2004 in accordance with Rule 77(14) of the Rules of Procedure of the Council.

The Panel

2. The Panel was formed by a resolution passed by the Council on 8 July 1998 and as amended on 20 December 2000 for the purpose of monitoring and examining Government policies and issues of public concern relating to commerce and industry matters. The terms of reference of the Panel are at **Appendix I**.

3. The Panel comprises 11 members. Hon Kenneth TING Woo-shou and Hon HUI Cheung-ching were elected Chairman and Deputy Chairman of the Panel respectively. The membership list of the Panel is at **Appendix II**.

Major work

The Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)

4. The Panel followed closely the progress of the implementation of CEPA signed by Hong Kong and the Mainland on 29 June 2003. In reviewing progress as at May 2004, members welcomed the elimination of tariff for 374 Hong Kong products imported to the Mainland and the liberalization in market access for service suppliers in 18 services sectors. They also supported further cooperation between the governments of the two places in trade and investment facilitation.

5. On the eligibility for zero tariff under CEPA, members were pleased to note that for the majority of products, the existing Hong Kong origin rules would be adopted. Regarding products such as watches and clocks, members considered it acceptable to adopt a 30% value-added requirement as the CEPA origin rule. As the formula for calculating the value-added percentage would take into account the costs of product development (e.g. design, development, intellectual property rights etc) incurred in Hong Kong, members hoped that this arrangement would attract manufacturing activities with high value-added content or substantial intellectual property input to take place in Hong Kong. In response to members' concern about the tariff arrangement for products which had not yet been manufactured in Hong Kong, the Administration advised that upon application by the manufacturers and subject to the origin rules being met, these products could enjoy zero tariff from 1 January of the following year after the commencement of production.

6. While welcoming the liberalization of trade in services, some members considered that the thresholds for entry for certain sectors were too high and urged the Administration to continue negotiation with the Mainland authorities with a view to lowering the thresholds. On improving market access for professionals, members noted that mutual recognition of certain professional qualifications had been agreed following negotiation by the delegation led by the Financial Secretary to Beijing in February 2004.

7. The Panel had been assured by the Administration that it would continue to pursue further liberalization of the Mainland market with the Mainland authorities, with a view to broadening the market access for Hong Kong's goods and services trade. Members were also briefed on the Administration's initiatives to promote the business opportunities brought about by CEPA to local, foreign and Mainland investors, as well as various measures to enhance cooperation with Guangdong Province on the implementation of CEPA. There was a suggestion from some members that the Administration should consider setting up a high-level committee comprising representatives from the Government and business leaders to explore innovative ways to leverage on the opportunities brought about by CEPA.

8. Given the importance of CEPA, members considered that the Administration should conduct a quantitative study on the direct and indirect impacts of CEPA. Taking on board members' concerns, the Administration agreed to attempt a quantitative analysis of the economic impact of CEPA, including that on local employment, nine to 12 months after the implementation of CEPA. The Panel would continue to keep in view further progress of CEPA.

Improving the business environment

9. The Panel followed closely the Administration's policy and measures to improve the macro business environment in Hong Kong. Members in general agreed with the Administration that economic policies should be

based on the principle of "market leads, Government facilitates". They took note of the various initiatives undertaken by the Administration such as the Helping Business Programme launched in 1996, measures to support industrial development and enhance access to Mainland and overseas markets.

10. Policy-wise, members had exchanged views with the Administration on whether Hong Kong should critically re-examine the need to enact a general competition law, instead of sector-specific legislation, to deal with competition straddling different economic sectors. Some members had also expressed concern about the state of competition which existed in certain sectors such as the broadcasting industry.

11. The Panel welcomed the establishment of the Economic and Employment Council (EEC) in January 2004 chaired by the Financial Secretary to integrate the work of four separate committees tasked to promote economic development. They were aware that a Subgroup on Business Facilitation had also been established under the EEC. While agreeing that the EEC provided an important forum to discuss issues with major bearings on economic development, some members urged that on top of the existing institutional arrangement, the Administration should set up a separate forum to tap creative ideas and new perspectives which might not be channeled through the existing consultative mechanism.

12. In the course of deliberation, members had stressed the importance for the Government to create an "enabling" environment which could facilitate the development and growth of the business and industrial sectors on their own initiatives and potentials. In response, the Administration had reported that about 40% of the initiatives to help create an "enabling" environment had been completed. It also undertook to update members of further progress shortly.

Promoting inward investment

13. In view of the importance of foreign investment to Hong Kong's economic growth, the Panel had reviewed the investment promotion work undertaken by Invest Hong Kong (InvestHK). On the number of foreign and Mainland companies which had successfully set up businesses in Hong Kong, the Administration assured members that the actual number for 2003 should be higher than the reported figure of 142 because some companies had established themselves in Hong Kong without the assistance of InvestHK. The amount of investment was anticipated to exceed the initial level of \$2,493 million over time.

14. Regarding the employment opportunities brought about foreign and Mainland companies which established or expanded their business activities in Hong Kong, members noted from the Administration that the actual number of jobs created might far exceed the reported figure of 2 456 for 2003 as not all companies assisted by InvestHK had disclosed information relating to their staffing position.

15. At members' request to better ascertain the effectiveness of investment promotion work, the Administration agreed to adopt an appropriate mechanism starting from 2005 to keep track of the development of those companies which had established their operations in Hong Kong for more than three years, with particular reference to any additional capital investment and creation of jobs.

16. The Panel had also considered InvestHK's new initiatives such as the Investment Promotion Ambassador Scheme launched in April 2003 and the engagement of additional external consultants to broaden external representation in new markets. In examining the working relationship between InvestHK and the Economic and Trade Offices (ETOs) of the Government, members urged the Administration to ensure that there was no overlapping of work between InvestHK and ETOs.

Government Electronic Trading Services (GETS)

17. Members welcomed the appointment of another GETS service provider, namely Global e-Trading Services Limited, in addition to Tradelink Electronic Commerce Ltd starting from 1 January 2004. Members were keen to ensure that the objective of opening up the GETS market would be to introduce competition in price, quality of service and development of value-added services to the benefit of the trading community.

18. Referring to the experience of market liberalization in other sectors such as the telecommunications industry, some members stressed that the Administration had an important regulatory role to play in the process. To safeguard against anti-competitive behaviour and provide a level playing field, they urged the Administration to proactively consider measures such as imposing conditions on the dominant player or issuing guidelines for the service providers to follow. In response, the Administration assured members that suitable safeguards had been included in the service agreements with the GETS providers. It also undertook to monitor the state of competition in the GETS market.

Development of the local exhibition industry

19. The Panel had examined the roles of the Hong Kong Trade Development Council (TDC) and private fair organizers in organizing major trade fairs. Members noted that organizing trade fairs was regarded as the most effective means for TDC to discharge its statutory functions of promoting, assisting and developing Hong Kong's trade with places outside Hong Kong, with particular reference to exports. Nevertheless, TDC's exhibition activities in recent years had drawn criticisms from private fair organizers that TDC was competing unfairly with the them and stifling their business opportunities.

20. In exchanging views with TDC, the Administration, trade associations and members of the exhibition business, the Panel was aware that

on one hand, a number of trade organizations supported TDC's organizing trade fairs to help them promote their products and services. On the other hand, private fair organizers considered that TDC, as a publicly-funded body, enjoyed an unfair advantage over the private sector in terms of networks and resources. Members recognized the contributions of TDC and private fair organizers in promoting Hong Kong's goods and services. They came to the view that there was room for collaboration between the two sides as their respective activities were not necessarily mutually exclusive. Policy-wise, the Administration confirmed that there was no impediment whatsoever to greater cooperation between the two sides. Members urged the Administration to play a more active role in facilitating communication and cooperation between TDC and the private-sector players for the benefit of the local exhibition industry which was facing stiff competition from neighbouring territories.

Innovation and technology development

21. In examining the Innovation and Technology Fund (ITF) and Applied Research Fund (ARF), members expressed grave concern on the cost-effectiveness of both schemes having regard that quite a number of projects funded by ITF were rated as not useful and beneficial to the relevant industries while the investment of ARF also incurred losses. In response, the Administration attributed the problems to the relatively new technologies which the industries might not be ready to adopt, as well as the general unfavourable investment climate for technology business. Arising from its examination of the Director of Audit's Report, the Public Accounts Committee had requested the Panel to examine the feasibility of continuing the ARF. As both ITF and ARF were financed by public money, members urged the Administration to conduct a detailed review and to revert to the Panel in due course.

22. To ensure that research and development (R&D) deliverables would be able to meet market demands and technology development, the Administration confirmed that the existing funding model of ITF would be adjusted to concentrate on supporting the establishment and development of R&D centres in particular focus areas. Members supported the proposed market-driven approach under which the R&D centres would need to work closely with the industry from project formulation, implementation to commercialization. Members noted that ARF would also make reference to focus areas for future investments.

23. Noting that the Administration was at present liaising with the industries, universities and other stakeholders with a view to identifying potential focus areas for public consultation in June 2004, some members were keen to ensure that the Administration should consult widely and systematically. Concern was also expressed that the Government should take the lead in developing certain R&D areas conducive to the development of local industries. To facilitate members' reference, the Administration agreed to provide information on the level of resources allocated by governments in other countries on R&D projects contributing to industrial development and the

effectiveness of such projects.

Financial proposals

24. The Panel had been consulted on a number of important financial proposals prior to their submission to the Finance Committee. On Hong Kong's successful bid to host the sixth Ministerial Conference (MC6) of the World Trade Organization in 2005, members agreed in principle that a dedicated team of staff should take up the planning and preparation work. However, in view of the need to contain the civil service establishment amidst fiscal constraints, members were not prepared to support the net creation of three supernumerary directorate posts for the event. They urged the Administration to critically re-examine its directorate establishment as a whole so as to identify posts for deletion to offset the proposed creation of the directorate posts in question. In response to the Panel's concern, the Administration provided further information on the deletion of directorate posts and savings achieved from different staffing proposals. The funding and staffing proposal for MC6 was finally approved by the Finance Committee.

25. While expressing support in principle for the proposed \$250-million DesignSmart Initiative to promote innovation and design, members had drawn the Administration's attention to a number of policy issues. On the proposal to fund the development of new design training courses by local organizations or in collaboration with overseas training organizations, members were keen to ensure that both the programmes funded by the Initiative and the ongoing programmes run by tertiary institutions should meet the needs of the industry. In the light of the operational experience of other funding schemes, members also urged the Administration to see to it that the application procedures should be kept simple so as to not to deter prospective applicants. The Administration noted members' views for consideration and follow-up.

26. From October 2003 to end June 2004, the Panel held a total of 11 meetings.

Panel on Commerce and Industry

Terms of Reference

1. To monitor and examine Government policies and issues of public concern relating to commerce, industry, business and services promotion, innovation and technology, intellectual property protection and inward investment promotion matters.
2. To provide a forum for the exchange and dissemination of views on the above policy matters.
3. To receive briefings and to formulate views on any major legislative or financial proposals in respect of the above policy areas prior to their formal introduction to the Council or Finance Committee.
4. To monitor and examine, to the extent it considers necessary, the above policy matters referred to it by a member of the Panel or by the House Committee.
5. To make reports to the Council or to the House Committee as required by the Rules of Procedure.

Panel on Commerce and Industry

Membership list

Chairman	Hon Kenneth TING Woo-shou, JP
Deputy Chairman	Hon HUI Cheung-ching, JP
Members	Dr Hon LUI Ming-wah, JP Hon NG Leung-sing, JP Hon Mrs Selina CHOW LIANG Shuk-yea, GBS, JP Hon CHEUNG Man-kwong Hon CHAN Kam-lam, JP Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP Hon SIN Chung-kai Hon Henry WU King-cheong, BBS, JP Hon MA Fung-kwok, JP (Total : 11 members)
Clerk	Miss Polly YEUNG
Legal Adviser	Miss Anita HO
Date	9 October 2003